

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



**CORRECTED
FISCAL NOTE**

HB 15 – SB 1401

March 14, 2011

SUMMARY OF BILL: Reduces, from five to four years, the terminating event for receiving the Hope Scholarship, beginning with eligible freshmen entering school for the 2012-2013 academic year. Adds new terminating event of eight semesters for which eligible freshman entering school for the 2012-2013 academic year can receive the Hope Scholarship, provided the student's undergraduate degree program requires no more than 120 semester hours to complete. Adds new terminating event of 10 semesters for which eligible freshman entering school for the 2012-2013 academic year can receive the Hope Scholarship, provided the student's undergraduate degree program requires more than 120 semester hours to complete. Changes the terminating events for students receiving a medical or personal leave of absence to the terminating events proposed for all other students.

ESTIMATED FISCAL IMPACT:

On March 10, 2011, a fiscal note was issued estimating a fiscal impact as follows:

*Decrease State Revenue - \$15,668,700/FY16-17 and Subsequent Years/Lottery for
Education Account*

Due to a classification error, this impact was in error. Based upon further review, the estimated impact is:

(CORRECTED)
**Decrease State Expenditures - \$15,668,700/FY16-17 and Subsequent Years/
Lottery for Education Account**

Assumptions:

- According to Tennessee Student Assistance Corporation (TSAC), approximately 24,668 freshmen began school in the fall semester of 2009 and approximately 24,542 freshmen began school in the fall semester of 2010.
- Under current law, TSAC estimates that 3,578 of the 24,668 freshmen who began school in the fall semester of 2009 will begin a fifth-year of school in the fall of 2013 in order to complete undergraduate degrees that require 120 semester hours or less.

- Under current law, TSAC estimates that 3,561 of the 24,542 freshmen who began school in the fall semester of 2010 will begin a fifth-year of school in the fall of 2014 in order to complete undergraduate degrees that require 120 semester hours or less.
- Scholarship awards will not change for students pursuing undergraduate degrees that require more than 120 semester hours for completion.
- The number of freshmen entering school in the fall of 2012 that would attend a fifth year of school beginning in the fall of 2016 will be 3,570 $[(3,578 + 3,561) / 2]$. This number is assumed to remain constant in subsequent years.
- Based on the number of freshmen entering school during the fall semester of 2009 and the fall semester of 2010, the types of scholarships awarded to these students, and the amounts awarded these students, the annual weighted-average scholarship award for attending a fifth year of school is estimated to be \$4,389. This estimate takes into account students who receive supplemental awards such as the General Assembly Merit Scholarship and the Aspire award.
- Given this bill applies to freshmen entering school for the 2012-2013 academic year and each academic year thereafter, any expenditure savings from the Lottery for Education Account (LFEA) will not be realized until FY16-17 and subsequent years. This delay of savings occurs because FY16-17 will be the year in which freshmen from the 2012-2103 academic year will begin their fifth year of school.
- The recurring decrease in state expenditures from the LFEA will be \$15,688,730 (3,570 students x \$4,389) beginning in FY16-17.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc